

# Kingdom Vision Special Report

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## The Emerging Prophetic and Strategic Disaster of the American Surrender at Versailles

The "Greater Israel" vision of "from the river Euphrates to the Nile" is no longer a prophetic reality. The Israeli State is not as scripture says a blessing to the nations. It is the most reviled state in the world. And America has not been blessed for "standing with Israel". And Israel's Jerusalem is not a light to the nations. Nothing of this fits the current prophetic expectations of the "end times". Time for prayerful re-assessment.

The American-Israeli war against the Islamic Republic of Iran, initiated in early 2026, has produced one of the most consequential and unexpected geopolitical reversals in modern history. Within four months of the conflict's opening, the United States — the world's pre-eminent military and economic superpower — was compelled to sign a sweeping Memorandum of Understanding (MoU) with Iran at Versailles, France, on June 18, 2026. The agreement, far from representing a victory, constitutes an effective capitulation to a regional power whose annual military budget is barely one-hundredth of America's.

The strategic consequences of this outcome are historic and far-reaching. American hegemony over the Persian Gulf, the bedrock of the post-1945 global order, has been shattered. The petrodollar system — which has underpinned US control of the world's financial architecture for eight decades — is now in accelerating decline. Iran emerges as the uncontested regional hegemon of the Middle East and, potentially, as the fourth centre of world power alongside the United States, Russia, and China.

Israel, which orchestrated the diplomatic and political conditions for the war, is the conflict's most catastrophic loser. Its war aims were entirely unmet, its alliance with the United States has been critically ruptured, and its international standing has collapsed to the point of effective pariah status. Internally, Israeli social and economic cohesion is fracturing under the weight of military defeat, diplomatic isolation, and a crisis of strategic legitimacy.

It is time for evangelical Christians to make an honest assessment. A special report for your consideration

### REPORT KEY FINDINGS AT A GLANCE

- 1. The US-Iran MoU signed at Versailles represents an effective American surrender — one of the most asymmetric diplomatic outcomes in modern history.***
- 2. American military dominance over the Persian Gulf has ended. US intelligence confirms Iran can close the Strait of Hormuz at will.***
- 3. The petrodollar system faces accelerating structural erosion as a consequence of the Gulf power vacuum.***

**4. Iran is consolidating as the fourth pole of a genuinely multipolar world order.**

**5. The US-Israel alliance has entered its most severe crisis since 1948, with consequences that may prove irreversible.**

**6. International support for Israel — political, legal, and economic — has all but evaporated.**

**7. Israel's internal economic and social cohesion is fracturing, with long-term systemic sustainability in doubt.**

## **1. The American Defeat and the Versailles Surrender**

### **1.1 The War that Ended American Primacy**

The conflict that began in early 2026 was, by any measure, the most lopsided military contest of the modern era — at least in terms of resources on paper. The United States possessed an annual military budget approaching one trillion dollars; Iran's stood at approximately eight billion dollars. America deployed two carrier strike groups, the most powerful concentration of naval force assembled in the region in decades, supplemented by advanced air power, cruise missile stocks, and Israel's formidable air force — itself ranked among the top three military forces on earth.

The opening strike was a strategically sophisticated decapitation blow. Exploiting the cover of ongoing nuclear negotiations, the US and Israel lured Iran's senior civilian and military leadership into a meeting to discuss potential concessions, then struck simultaneously, killing the Supreme Leader, national security officials, and dozens of senior commanders. By any conventional military doctrine, this should have been the decisive act of a short, victorious war.

It was not. What followed exposed a fundamental and catastrophic miscalculation: the assumption that decapitation of the Iranian state would produce paralysis, and that Iran's military capacity was concentrated in visible, destroyable assets. Both assumptions proved wrong. Iran's military had been systematically hardened over decades, dispersed deep into mountain granite in an elaborate network of underground missile cities drawn from lessons learned from North Korea's fortification programme. The missiles kept flying from Yazd and across the country's vast interior, impervious to sustained US and Israeli bombardment.

The toll on American precision munitions was devastating. According to the Centre for Strategic and International Studies (CSIS), the US expended between one-third and one-half of its entire global stockpiles of key munitions — Tomahawks, JASSMs, PrSMs, SM-3 and SM-6 interceptors, THAAD rounds, and Patriot missiles — in a campaign that failed to achieve a single stated military objective. Years and billions of dollars of accumulated deterrence capability were burned through in weeks. Replenishment timelines extend to four or more years.

The aircraft carrier, long the centrepiece of American power projection, proved to be what critics had long suspected: an enormously expensive liability in contested littoral environments. Iranian coastal defence batteries kept both carrier groups at ranges that rendered their air wings largely ineffective, exposing America's primary instrument of coercive diplomacy as a geopolitical bluff.

## 1.2 The Versailles MoU: A Surrender in Historical Context

On June 18, 2026, President Donald Trump signed the US-Iran Memorandum of Understanding at Versailles, France. The historical symbolism was not lost on international observers, though it appears to have escaped the American president himself. In June 1919, it was the defeated Imperial Germany that came to Versailles to sign terms of surrender and commit to the payment of massive reparations to the victorious powers. In June 2026, it was the United States that came to Versailles to commit to terms that commentators across the political spectrum — from Tucker Carlson to John Mearsheimer, from Israeli security analysts to European foreign policy experts — immediately characterised as a surrender.

The French commentator Arnaud Bertrand captured the irony precisely, observing that 'the symbolism of Trump signing a surrender agreement at Versailles in which the US agrees to pay massive reparations is just too perfect. The parallel was not merely rhetorical. The MoU's financial terms — including a \$300 billion reconstruction and development fund for Iran — functionally mirror the reparations logic of the original Versailles treaty, with the defeated power compelled to provide resources for the victor's rehabilitation.

MoU Provision	Strategic Significance
Paragraph 1: Permanent termination of military operations including Lebanon	De facto end to Israeli campaign in Lebanon; requires Israeli withdrawal
Paragraph 4: US lifts naval blockade within 30 days; withdraws forces within 30 days of final deal	Full abandonment of military pressure posture accumulated over years
Paragraph 6: \$300 billion reconstruction fund for Iran	Functionally equivalent to war reparations; largest-ever financial concession to a 'defeated' adversary
Paragraph 7: US terminates ALL sanctions — unilateral and multilateral — on agreed schedule	Reversal of decades of comprehensive economic warfare against Iran
Paragraph 8: Iran merely reaffirms it will not procure nuclear weapons — a position already held	Iran's only substantive concession restates existing policy
Paragraph 10: US issues immediate waivers for all Iranian oil exports	Unlocks Iranian oil revenues to China and global markets immediately
Paragraph 11: Full release of all frozen Iranian assets	Potentially hundreds of billions in previously restricted funds
Paragraph 14: Final deal endorsed by binding UN Security Council resolution	Permanent legal architecture enshrining Iran's post-war gains

The asymmetry is breathtaking. Iran's only meaningful obligations under the MoU were to reopen the Strait of Hormuz to commercial traffic — free of charge for the first sixty days only, with permanent fee-charging rights thereafter — and to reiterate its longstanding position of not seeking nuclear weapons. America committed to financial flows totalling potentially hundreds of billions of dollars, the termination of every economic weapon deployed against Iran over the past half-century, the withdrawal of its forces from the entire

Persian Gulf region, and a permanent halt to all military operations against Iran and its allies.

Professor John Mearsheimer of the University of Chicago characterised the outcome in unsparing terms: 'We have lost this war big-time. This war is a catastrophe for the United States... This will go down in the history books as the greatest foreign policy blunder in American history, replacing the Iraq War at the top of the charts. Professor Robert Pape, also of the University of Chicago, described the agreement as America's unconditional surrender to Iran and suggested it had potentially established Iranian regional hegemony over the Persian Gulf and its resources.

## **2. The End of American Hegemony Over the Persian Gulf**

### ***2.1 Eighty Years of Gulf Dominance — Ended in Four Months***

The American order in the Persian Gulf was constructed in the aftermath of World War Two and consolidated through decades of diplomacy, military basing, bilateral security guarantees to Gulf Arab states, and the petrodollar architecture that made Gulf oil central to the dollar's global role. The maintenance of free navigation through the Strait of Hormuz — through which approximately twenty percent of the world's oil supply transits daily — was considered a non-negotiable core interest of American grand strategy, backed by the credible threat of overwhelming force.

That credible threat has now been comprehensively demolished. US intelligence agencies have formally assessed — and this assessment has been made public — that Iran can effectively shut down access to the Strait of Hormuz at will from this point forward. The assessment was communicated to three independent sources and reported by CNN. It represents the official acknowledgement by the American intelligence community that a fundamental pillar of the post-war order has collapsed.

The implications ripple across the entire architecture of American power. The Gulf Cooperation Council states, whose security has rested on American guarantees for decades, now face a fundamentally different security landscape. Secret bilateral deals, including an arrangement between Qatar and Iran to protect Qatari gas infrastructure during the war in exchange for a halt in gas exports that would pressure the US economically, reveal the extent to which Gulf states were already hedging against American unreliability even during the conflict itself.

### ***2.2 Military Infrastructure Destroyed Across the Region***

American military presence in the region suffered substantial physical degradation during the conflict. Satellite imagery confirmed the destruction of the US AN/TPS-59 air and missile defence early warning radar at the Jabal al-Dukhan site in Bahrain, struck by Iranian forces on June 11, 2026. The significance cannot be overstated: this was not a symbolic strike but the physical elimination of a critical component of America's regional early warning architecture.

Beyond specific installations, the broader picture of American military capacity in the theatre is one of severe depletion and strategic humiliation. Reconnaissance assets, including a significant portion of the Reaper drone fleet, were destroyed. Long-range

detection radars were degraded across the region. The US Marines positioned aboard the USS Tripoli off the coast of Oman — deployed as an instrument of psychological and deterrent pressure — sat idle throughout the conflict, their mere presence failing to influence Iranian behaviour in any discernible way.

Washington's \$34 billion in direct war spending, with total economic costs estimated by WarCosts at over \$214 billion when broader economic damage is factored in, purchased a strategic outcome in which America's regional military posture is weaker than at any point since the Carter Doctrine of 1980. The equation of military spending to strategic effect has never looked worse for American power.

### ***2.3 The Strait of Hormuz: A New Iranian Toll-Gate***

One of the most consequential outcomes of the war is Iran's newly formalised and intelligence-assessed capacity to control the Strait of Hormuz at will. This is not merely a theoretical capability — it was demonstrated operationally during the conflict, and the MoU's language recognises it implicitly by granting Iran the right to conduct dialogue with Oman to define the future administration and maritime services of the Strait, in discussion with other Persian Gulf littoral states. The United States, which for eighty years was the external guarantor of free navigation, has been removed from the Strait's governance architecture entirely.

Iran has already signalled its intention to charge fees for commercial passage through the Strait, with the sixty-day free passage agreed in the MoU being explicitly described as a temporary concession. The Strait of Hormuz, through which the majority of Persian Gulf oil exports flow, is becoming an Iranian toll-gate — a permanent source of revenue and leverage that will allow Tehran to extract ongoing economic and political concessions from the world's oil-dependent economies for years to come.

## **3. Petrodollar in Decline: Dollar Hegemony Under Structural Threat**

### ***3.1 Energy Crisis as the Proximate Cause of American Capitulation***

The immediate mechanism through which the Iran War forced American capitulation was not military defeat in the field — it was the looming collapse of global oil supply. The closure of the Strait of Hormuz from the war's outset caused an immediate and catastrophic reduction in global crude oil supply, estimated at approximately ten million barrels per day. As strategic petroleum reserves in the United States and Europe were drawn down to cover the shortfall, the arithmetic of the crisis became undeniable.

Commodities experts warned publicly that US Strategic Petroleum Reserve levels were reaching lows not seen since the early 1980s. Neil Chapman, Senior Vice President at ExxonMobil, warned that the US was approaching 'unheard-of inventory levels. Jeff Currie of the Carlyle Group warned that US oil storage tanks would run empty somewhere in the July 4 period. Mike Wirth, CEO of Chevron, repeatedly warned on television that the supply crunch would soon manifest itself around the world. Wil VanLoh of Quantum Capital Group was blunter still: "It's going to get ugly. The world has never had to destroy 10 million barrels a day of oil demand."

Physical oil prices were projected to spike to \$150 to \$160 per barrel once storage limits were breached. The economic modelling of that scenario — applied to an already inflation-stressed global economy — pointed to a recession of Depression-era severity. President Trump explicitly acknowledged this dynamic in his own words: "We run out of reserves in about four weeks. We would really run out, and there'll be a time when you wouldn't be able to get it." He invoked the spectre of Herbert Hoover and the Great Depression. The world's most powerful leader had been reduced to signing whatever Iran demanded by the threat of economic collapse.

### ***3.2 Structural Damage to the Petrodollar Architecture***

The petrodollar system — the arrangement by which oil sales are globally denominated in US dollars, creating perpetual global demand for dollar holdings and allowing the United States to run persistent deficits financed by dollar recycling — was already under pressure before the Iran War. The conflict has dramatically accelerated those pressures.

The demonstration that the United States cannot guarantee free navigation through the Persian Gulf removes the foundational premise of the petrodollar arrangement. Gulf producers and their customers are now acutely aware that the dollar's privileged position in oil trading rested not on any intrinsic monetary quality but on the credible American threat to keep the sea lanes open by force. That threat has been exposed as hollow. The logic of maintaining dollar denomination in oil trades is correspondingly weakened.

The immediate unlocking of Iranian oil exports to China and global markets — mandated under the MoU's Paragraph 10 waivers — represents a further structural blow. Iranian oil, which will flow primarily to China, will be traded in yuan or in other non-dollar frameworks. The billions of dollars in frozen Iranian assets released under Paragraph 11 will be directed by the Central Bank of Iran to purposes of its own choosing — and there is little reason to expect those purposes to reinforce dollar primacy.

### ***3.3 Implications for International Reserve Currency Status***

The US dollar's status as the world's primary reserve currency has survived multiple geopolitical shocks since 1945, but it has never before faced the combination of factors now assembled against it: the demonstrated inability of American military power to protect the oil infrastructure that underpins dollar demand; the removal of dollar denomination from an increasing share of energy trade; the expansion of yuan-denominated trade frameworks; the acceleration of BRICS alternative payment architectures; and the catastrophic damage to American credibility as a security guarantor.

The signals from financial markets have been consistent: each of Trump's thirty-nine false announcements of an Iran deal caused the dollar to rally; each failure caused it to soften. The final signing of the MoU produced a brief dollar rally followed by a sobering reassessment as the terms became known. International reserve managers are now quietly diversifying away from dollar holdings at an accelerating pace, a trend that preceded the war but has been dramatically reinforced by its outcome.

## **4. The Rise of a Multipolar World Order: Iran as the Fourth Pole**

## ***4.1 From Unipolarity to Strategic Multipolarity***

The post-Cold War unipolar moment, in which American power faced no systemic challengers, has been transitioning into multipolarity for years. The rise of China as an economic and military peer competitor, Russia's military reassertion in Europe, and the growing political independence of the Global South had already created the conditions for a multipolar order. The Iran War has dramatically accelerated this transition and added a fourth major pole to the emerging architecture.

Iran's successful resistance — and subsequent diplomatic triumph — has demonstrated to the world something that strategic theorists had long debated but that most Western policymakers refused to accept: that a determined regional power with sophisticated asymmetric capabilities, hardened infrastructure, and genuine societal cohesion behind its defence can withstand and defeat the military coercion of even the world's greatest superpower, provided it controls a strategic chokepoint of sufficient global importance.

This demonstration has profound implications beyond the Middle East. It validates the strategic posture of China regarding Taiwan, Russia regarding its near-abroad, and any number of smaller states that had previously assumed American military threats were ultimately decisive. The reputational damage to American deterrence is incalculable.

## ***4.2 Iran's Elevation to Regional Hegemon***

Within the Middle East, Iran's transformation from sanctioned pariah to regional hegemon is now essentially complete. The MoU's terms — which include a \$300 billion development fund, full sanctions relief, the release of frozen assets, and formal American recognition of Iranian sovereignty and territorial integrity — provide Iran with the economic and political resources to consolidate this position rapidly.

The MoU's first paragraph, which declares an 'immediate and permanent termination of military operations on all fronts, including in Lebanon, and commits all parties to 'ensuring the territorial integrity and sovereignty of Lebanon, effectively endorses a Lebanese political settlement on terms broadly favourable to Hezbollah and Iran. The decades-long project of Israeli and American pressure to isolate and contain Iran has been reversed; Iran is now a legitimate interlocutor whose MoU with the United States will be 'endorsed by a binding UN Security Council resolution.

Former Israeli Deputy National Security Adviser Chuck Freilich stated plainly: 'Iran came out stronger, and I believe is now the regional hegemon. They stood up to the US, the global superpower. They can have missiles, and there's nothing in the agreement about the nuclear issue except we'll talk about it. This is an Iranian victory over the US and Israel.'

## ***4.3 The New Quadripolar World Architecture***

Strategic analysts including Professor Robert Pape have suggested that the war's outcome may elevate Iran to the status of a 'fourth centre of world power. This assessment deserves serious analytical attention. The emerging world order is increasingly structured around four major poles of strategic autonomy: the United States, diminished but still the world's largest economy and military spender; China, the world's largest economy by purchasing power and America's primary systemic rival; Russia, reasserted as a Eurasian military power and energy supplier of last resort; and now Iran, the dominant power of the Middle East and controller of the world's most critical maritime chokepoint.

Power Pole	Primary Sphere of Influence
United States	Western Hemisphere, residual Indo-Pacific presence, NATO framework
China	East Asia, Indo-Pacific, Belt and Road trade corridors, Africa, Latin America
Russia	Eurasia, Eastern Europe, Arctic, energy supply to non-Western markets
Iran (emerging)	Persian Gulf, Middle East, Strait of Hormuz control, Axis of Resistance network

Iran's position in this quadripolar framework is uniquely leveraged by its physical control of the Strait of Hormuz. No other power — not China, not Russia — possesses a comparable chokehold over the global energy supply chain. This gives Iran a form of economic leverage that is qualitatively different from conventional military or economic power and that will prove extraordinarily durable.

## 5. Israel's Strategic Catastrophe

### ***5.1 A War Entirely of Israel's Making — A Defeat Entirely Its Own***

No actor in this conflict bears greater responsibility for its catastrophic outcome than Israel. For decades, successive Israeli governments — most persistently under Prime Minister Benjamin Netanyahu — lobbied every American president to initiate military action against Iran. The arguments were consistent: Iran was an existential threat; its nuclear programme must be destroyed; American military power could accomplish in weeks what Israeli air power could not sustain alone; the window was closing. Administration after administration resisted. Donald Trump, in his second term, was the first to fall for what Tucker Carlson characterised as Netanyahu and the Neocons 'transparent scheme.'

The war that Netanyahu sought and secured delivered the precise opposite of every objective he had pursued. The agreed MoU leaves Iran's nuclear enrichment infrastructure intact, commits the parties merely to discuss the issue of enrichment in future negotiations, and requires only that Iran restate its longstanding position of not seeking nuclear weapons. Iran's missile forces, which Israel considered its primary strategic threat, are largely intact, the CIA confirmed that Iran retained approximately 75% of its mobile launchers and 70% of its missile stockpiles.

Yaakov Amidror, a hawkish former National Security Adviser to Netanyahu, captured the Israeli analytical consensus: "It's a bad agreement in which the Americans are paying with cash, and got, at the maximum, a letter of intent." David Horowitz, editor of *The Times of Israel*, called it 'a catastrophic capitulation.' Ben-Dror Yemini, columnist at Israel's largest newspaper, wrote that Netanyahu had led Israel into "the most severe collapse in its history." Israeli TV analyst Nir Dvori compared the outcome to "a diplomatic October 7 — a cataclysmic disaster for which Israel was wholly unprepared."

## **5.2 The Rupture of the US-Israel Alliance**

If the MoU itself represents a catastrophic strategic defeat for Israel, the manner in which it was negotiated — and Israel's response to it — has inflicted damage on the US-Israel relationship that may prove irreparable. The MoU was reportedly arranged without Israeli participation or consultation, a deliberate exclusion by the Trump administration that signals a fundamental shift in how Washington views the relationship.

When Israel responded to the MoU by refusing to halt its attacks on Lebanon — a requirement explicitly stated three times in the MoU's first paragraph — the fracture became public and acute. Iran promptly declared that until the US forced Israeli compliance, it would refuse participation in Geneva talks and would re-close the Strait of Hormuz. The Trump administration, facing the return of the energy crisis that had forced its capitulation, was compelled to publicly rebuke its closest Middle Eastern ally.

Vice President JD Vance's warning to Israel was a landmark moment in the alliance's history: "If I was in the cabinet of the Israeli government, I might not be attacking the only powerful ally that I have anywhere left in the entire world." The statement acknowledged simultaneously that Israel's actions were endangering the alliance and that the alliance itself had become so strained that it might not survive further Israeli defiance.

The rhetoric unleashed by Israeli politicians and media figures against the Trump administration was similarly unprecedented. Yinon Magal, a former Knesset member close to Netanyahu, described Trump's special envoys Steve Witkoff and Jared Kushner — both Jewish Americans and among Trump's most loyal allies — as 'two little Jews.' Trump was called a 'loser.' Vice President Vance was described as 'scum.' Israel Hayom, owned by Miriam Adelson, one of Trump's largest financial donors, ran an op-ed accusing Trump of betraying Israel.

### **STRATEGIC OBSERVATION**

*Israel's response to the MoU demonstrated a strategic delusion of historic proportions. Having leveraged the US-Israel relationship for decades to extract billions in military aid, diplomatic cover, and ultimately American military participation in a war on Israel's behalf, Israeli leaders responded to the war's disastrous outcome by publicly attacking their patron, continuing military actions that were sabotaging US-Iran negotiations, and threatening unilateral military escalation. This is the behaviour not of a strategic actor calculating costs and benefits, but of a state whose political leadership has become structurally incapable of reading its own strategic situation.*

## **6. The Collapse of International Support for Israel**

### **6.1 From Ally to Pariah: The Global Consensus Shifts**

The war has accelerated a shift in global opinion regarding Israel that was already underway before the conflict. Israel's actions in Gaza, characterised by an overwhelming majority of the world's governments, international legal bodies, and humanitarian organisations as genocidal in character — had already transformed Israel's international standing from a sympathetic democracy under siege to a state facing formal legal proceedings at the International Court of Justice. The Iran War and its aftermath have completed this transformation.

Chris Hedges, writing in the immediate aftermath of the MoU, characterised the global situation with directness: "The Arab and Muslim world and the Global South detests Washington for its backing of the genocide and betrayal of the Palestinians. Israel and its Zionist supporters goaded the US into made-for-Israel wars in Iraq, Libya, Syria and then, another war with Iran. The alliance and military debacles have turned Israel and the US into pariah states." The use of the plural is significant: the war has not merely isolated Israel but has begun to transfer some of that pariah status to the United States itself.

The global community's response to Israel's continuing military operations — in Lebanon, in Gaza, in the West Bank, and on the Golan Heights — in defiance of the MoU's terms has been one of near-universal condemnation. The diplomatic cover provided by the United States in international forums, which had for decades allowed Israel to avoid accountability for its military actions, is now substantively weakened by Washington's own need to implement the MoU and secure Iran's cooperation.

## **6.2 Legal and Economic Isolation**

International legal proceedings against Israel are advancing on multiple fronts simultaneously. ICJ proceedings on the question of genocide in Gaza, advisory opinions on the legality of the occupation, and ICC warrants targeting Israeli political and military leadership have combined to make formal engagement with Israel an increasingly fraught proposition for governments concerned with their own international standing.

The economic dimension of Israel's isolation is now becoming concrete. Major institutional investors and sovereign wealth funds are facing growing legal and reputational pressure to divest from Israeli securities and companies with significant Israeli operations. Arms exports to Israel — particularly from European states — are being suspended or curtailed under domestic and European Court pressure. Trade relationships that had been expanding under the Abraham Accords framework are now in abeyance.

Israeli journalist Gideon Levy captured the new reality with characteristic bluntness: "***No more insane aid with no conditions, but a condition attached to every dollar and every missile. Behave or pay the price. You can no longer do as you please: assassinate, abuse, violate national sovereignty and international law with impunity. In such an atmosphere, Israel will no longer be able to continue to thumb its nose at the international community, for which there is no more unifying issue than opposition to the occupation.***"

## **6.3 The Collapse of the Abraham Accords Framework**

The Abraham Accords, the normalisation agreements between Israel and several Arab states brokered during Trump's first term, which the administration had presented as the cornerstone of a new Middle Eastern order — have effectively collapsed as a framework. The Gulf states that signed or considered normalisation agreements with Israel did so on the implicit understanding that American power would remain the dominant force in the region and that association with Israel offered security and economic benefits. Both premises are now undermined.

The defeat of the US-Israel military coalition by Iran, and the subsequent MoU that has elevated Iran to regional hegemon, has inverted the strategic calculus of Gulf Arab states. Hedging toward Iran — as Qatar already demonstrated during the war — has become more rational than alignment with a demonstrably weakened US-Israeli axis. The normalisation architecture is in suspension at best, in irreversible collapse at worst.

## **7. Israel's Internal Crisis : Economic and Social Fracturing**

### ***7.1 An Economy Under Existential Pressure***

Israel's economy was already under significant strain before the Iran War, having operated under sustained conflict conditions since October 7, 2023. The war has dramatically worsened that situation. Defence spending has consumed an extraordinary share of GDP. The tourism sector — historically a significant contributor to the Israeli economy — has been devastated. Foreign investment, which had driven Israel's tech sector boom, is being reconsidered as risk assessments are revised upward across the board.

The loss of unconditional American military assistance — which had amounted to an estimated \$300 billion in total assistance (adjusted for inflation) since 1946 — represents an enormous structural change in the economic underpinnings of the Israeli state. The US military aid programme, providing \$3.8 billion per year in direct military assistance, had functionally subsidised Israel's military capacity at a level that freed up domestic resources for other priorities. Conditionality — even if not yet implemented — has materially altered the economic planning of the Israeli defence establishment.

The broader economic costs of the wars in Gaza, Lebanon, and the Iran conflict have not been fully quantified but are substantial. Insurance rates for businesses operating in Israel have risen sharply. The technology sector, long the driver of Israeli GDP growth, is seeing talent flight as skilled workers exercise options in the United States, Europe, and elsewhere. The shekel has depreciated significantly against major currencies. Credit rating agencies are reviewing their Israeli sovereign debt assessments.

### ***7.2 Social Cohesion Under Strain***

The social contract within Israel is under simultaneous pressure from multiple directions. The judicial reform crisis of 2023, which exposed deep divisions between secular and religious, Ashkenazi and Sephardic, and settler and urban populations, was never resolved. The trauma of October 7 and the subsequent military campaigns produced a period of forced national unity that is now giving way to a renewed and intensified reckoning with the war's failures and their causes.

Netanyahu's political survival has depended on the continuation of military operations that an increasing share of the Israeli public — and the international community — views as counterproductive. An Israeli survey conducted in the wake of the MoU found that over ninety percent of Israeli respondents believed Israel had lost its war against Iran. This is a remarkable figure: it represents an overwhelming public acknowledgement of strategic failure that stands in stark contrast to the official narrative of the Israeli government.

Far-right members of Netanyahu's coalition have responded to the MoU by declaring that "Trump's agreement does not bind us" and continuing military operations in Lebanon that directly contravene the MoU's terms. Former Defence Minister Avigdor Lieberman has called for Israel to build a ballistic missile force and suggested that the Mossad should overthrow the Iranian government. These statements reflect a political culture in which escalation and maximalism have become ends in themselves, disconnected from any plausible strategic logic.

## ***7.3 The Long-Term Demographic and Strategic Equation***

The demographic trajectory of the Israeli-Palestinian situation continues to move in directions that are structurally adverse to Israel's long-term viability as a Jewish-majority democratic state. Israel's occupation of seventy percent of Gaza's land, its ongoing ethnic cleansing in the West Bank, and its refusal to define a political endgame for Palestinian self-determination have created a situation that is unsustainable under any plausible trajectory.

The two million Palestinians in Gaza — living, as Chris Hedges describes, in 'overcrowded tent cities without adequate food, clean water or medical care' — cannot be indefinitely maintained in conditions that the International Court of Justice has assessed as potentially genocidal without consequences that extend far beyond Gaza itself. Israel's stated intention to 'find some place on the globe to ship' the population of Gaza reflects a political culture that has lost contact with the constraints of international law, diplomatic reality, and basic human rights norms.

The long-term prognosis for Israeli social and economic cohesion under these conditions is deeply adverse. A state that cannot define its borders, cannot resolve the question of the population under its military control, cannot maintain the support of its primary patron without conditions, and cannot integrate into the regional economic architecture that is emerging around it faces a structural crisis that no amount of short-term military operations can resolve.

## **8 Strategic Outlook and Scenarios**

### ***8.1 The Next Sixty Days: Negotiating Under Duress***

The MoU provides for a sixty-day negotiating period — extendable by mutual consent — to reach a final deal. This period will unfold against the backdrop of a world economy still absorbing the consequences of months of reduced oil supply. Strategic petroleum reserves are at historic lows. Even with the Strait nominally open, the drawdown of stockpiles will continue for weeks before new supply reaches global markets.

This timeline gives Iran extraordinary leverage in the final negotiations. The threat of a renewed closure — however improbable it may be — will exert constant downward pressure on American negotiating resolve. Any Israeli military action that causes Iran to suspend cooperation will translate immediately into economic crisis pressure on the Trump administration. Iran negotiates from a position of unprecedented strength.

The likelihood of the US honouring the MoU's terms in full is considered high by most serious analysts, contrary to those who cite America's reputation for renegeing on agreements. The mechanism is simple: non-compliance by America results in renewed Strait closure, energy crisis, and the Great Depression scenario that Trump has explicitly identified as the outcome he most fears. The Iranians, as multiple analysts have noted, 'hold all the cards.'

### ***8.2 Israel's Choices and Their Consequences***

Israel faces a binary strategic choice that its current political leadership appears incapable of making. The first option is compliance with the MoU — halting military operations in

Lebanon, withdrawing from occupied Lebanese territory, and accepting the framework of the final deal when it is concluded. This path preserves the residual US-Israel alliance and provides Israel with the security guarantees that American commitment, however weakened, still provides. It requires a fundamental reassessment of Israeli strategic objectives that would be politically devastating for Netanyahu's coalition.

The second option is continued defiance — continuing military operations in Lebanon and Gaza, maintaining the settler expansion in the West Bank, and seeking to torpedo the US-Iran final agreement. This path leads toward a complete rupture with the United States, the acceleration of Israel's international isolation, the loss of American military and financial assistance, and a confrontation with an Iran that has just demonstrated its capacity to withstand American military power and now commands a strategic chokepoint over the global economy. The far-right ministers threatening war with Iran without American support are advocating for a path that most serious Israeli security analysts consider suicidal.

### ***8.3 Long-Term Structural Scenarios***

Over a five-to-ten year horizon, three broad scenarios can be identified for the Middle East's strategic architecture.

In the first scenario — Iranian consolidation — Iran successfully uses the resources flowing from the MoU, the lifting of sanctions, and the \$300 billion development fund to modernise its economy, reconstitute its military, and extend its political influence across the region. The Strait of Hormuz becomes a permanent Iranian revenue stream. The Axis of Resistance — Hezbollah, various Yemeni factions, and Iraqi proxy forces — is strengthened. Iran's regional hegemony becomes entrenched, reshaping the entire Middle Eastern order around a Tehran-centred architecture.

In the second scenario — managed transition — the US and Iran successfully negotiate a final deal that creates durable stability, reintegrating Iran into the international economic system while managing nuclear concerns through a comprehensive inspection regime. This scenario represents the least disruptive path but requires sustained political will in both Washington and Tehran that the current political dynamics in both capitals make uncertain.

In the third scenario — continued instability — Israeli defiance repeatedly triggers renewed Iranian responses, the MoU process collapses, and the world enters a period of chronic energy instability and intermittent conflict. This is the scenario that Iranian hardliners appear to anticipate and that Israeli maximalists appear willing to risk. It would be catastrophic for global economic stability.

## **9. Conclusions**

The Iran War of 2026 is an inflexion point in the rise and fall of Western Empire. Its lessons are as profound as its consequences.

The first lesson is about the limits of conventional military supremacy. The United States deployed an overwhelming force against a country with one-hundredth of its defence budget, initiated the conflict with a sophisticated decapitation strike, and expended irreplaceable munitions at a rate that depleted global stockpiles — yet failed to achieve a single stated military objective. The reason is that Iran had prepared asymmetric responses that negated America's advantages: underground infrastructure impervious to aerial

bombardment, ballistic missiles and drones capable of saturating American missile defences, and control of a strategic chokepoint that gave Tehran a lever over the global economy that no amount of American military power could neutralise without consequences that were ultimately unacceptable.

The second lesson is about the dangers of alliance entrapment. The United States entered this war primarily as a consequence of decades of Israeli lobbying, Neoconservative policy influence, and the institutional capture of American Middle East policy by interests that prioritised Israeli strategic objectives over American national interests. The result was a war that served no American strategic interest — that destroyed American credibility, depleted American munitions, damaged American economic standing, and produced a settlement that strengthens Iran and weakens America in every dimension that matters strategically.

The third lesson is about the resilience of states with genuine national cohesion. Iran's ability to absorb sustained military punishment while maintaining operational continuity reflected a society that, whatever its internal tensions, was united in its resistance to external attack. The underground missile cities, the repair and reconstitution of damaged infrastructure, the continued launches until the final ceasefire moments — these reflect not just military preparation but the organisational capacity of a state with real institutional depth.

The historical analogy that most aptly captures the Iran War's significance is not Vietnam — where the US suffered a painful but bounded reverse — but something more fundamental. America has become the modern equivalent of the Persian Empire that attempted to conquer the Greek city-states: a vast, powerful, yet ultimately overextended empire that met unexpected defeat at the hands of a far smaller but highly motivated and defensively sophisticated opponent. The irony is perfect: America, which traces its civilisational roots to ancient Greece, has played the role of Persia against the actual descendants of the ancient Persians.

The Pax Americana — the eighty-year period of American dominance over the global order — has not ended overnight. The United States remains the world's largest economy and most powerful military. But the central pillar of that dominance — control of Persian Gulf energy supplies, and the petrodollar architecture built upon it — has been shattered. The process of adjustment to a multipolar world order, with Iran as its fourth major pole, has been dramatically and irreversibly accelerated.

For policymakers, investors, and strategic planners, the Iran War's most important message is this: the world that existed before June 18, 2026 is not coming back. The architecture of global order, the balance of regional power in the Middle East, the reliability of American security guarantees, the primacy of the dollar, and the viability of the Israeli strategic project in its current form — all of these have been fundamentally and permanently altered. Effective strategic planning must begin from an honest reckoning with this new reality, however uncomfortable that reckoning may be.

### **For Evangelical Christians.....**

It is time to reject Christian Zionism as a theology framework that defines this as "the end times" and Israel as the centrepiece of prophetic history. It is time to re-assert the primacy of the Church as God's "My People" who have the Kingdom Mandate. There is no "Greater Israel" project that God has given to the nation of Israel in Palestine. There is only the Church and our mission that all nations and people are to be discipled into the Kingdom of God...and the whole earth is our Promised land.